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Biltmore Hats
GUELPH CANADA *Limited*

ANNUAL REPORT

1969



BILTMORE
GUELPH, CANADA



BILTMORE HATS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Biltmore Hats Limited will be held at the Head Office of the Company, 139 Morris Street, Guelph, Ontario, on Wednesday the Twenty-ninth day of January, 1969 at the hour of 11:00 o'clock in the forenoon for the purpose of

- (a) Receiving and considering the report of the Directors for the year ended October 31, 1968, the financial statements and the report of the Auditors thereon;
- (b) Electing Directors;
- (c) Appointing Auditors;
- (d) Considering and, if thought fit, approving and ratifying all acts and proceedings of the Board of Directors, and of the Officers of the Company since the last Annual Meeting of Shareholders, as set forth or described in the Minute Books or in the Financial Statements of the Company; and
- (e) Considering and if thought fit approving and ratifying the omission of sales figures from the Annual Financial Statement and Interim Financial Statements.
- (f) Transacting such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders registered on the books of the Company at the close of business on December 24, 1968, are entitled to receive notice of said meeting. The close of business on January 17, 1969 is the record date for all shareholders who are entitled to attend and vote at said meeting and may be represented thereat by proxies duly filed with the Secretary.

Shareholders who are unable to attend the Meeting are requested to date and sign the attached instrument of proxy and file it with the Secretary of the Company.

DATED December 24, 1968.

By Order of the Board
D. M. McMillan
Secretary.

Biltmore Hats
Limited
GUELPH, ONTARIO, CANADA

Proxy, Solicited by Management, for Annual Meeting of Shareholders

The undersigned hereby appoints Wm. F. Franke, or failing him N. McMillan, or failing him D. M. McMillan or instead of any of them _____ as proxy, with power of substitution, to attend and vote for the undersigned at the Annual Meeting of Shareholders to be held on January 29, 1969, and at any adjournments (a) FOR_____ or AGAINST_____ (or if no specification is made, FOR) approval of the Directors' Report and Financial Statements for 1968; (b) FOR_____ or AGAINST_____ (or if no specification is made, FOR) the election of Directors; (c) FOR_____ or AGAINST_____ (or if no specification is made, FOR) the appointment of Auditors; and (d) FOR_____ or AGAINST_____ (or if no specification is made, FOR) approving and ratifying acts and proceedings of the directors and officers; (e) FOR_____ or AGAINST_____ (or if no specification is made, FOR) the approval of the omission of sales figures from the Annual Financial Statement and Interim Financial Statements; (f) on such other business as may properly come before the meeting; hereby revoking any proxy previously given.

_____, 19____

(Signature of Shareholder)



BILTMORE HATS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Biltmore Hats Limited will be held at the Head Office of the Company, 139 Morris Street, Guelph, Ontario, on Saturday, the Twenty-fourth day of January, 1970 at the hour of 11:00 o'clock in the forenoon for the purpose of

- (a) Receiving and considering the report of the Directors for the year ended October 31, 1969, the financial statements and the report of the Auditors thereon;
- (b) Electing Directors;
- (c) Appointing Auditors;
- (d) Considering and, if thought fit, approving and ratifying all acts and proceedings of the Board of Directors, and of the Officers of the Company since the last Annual Meeting of Shareholders, as set forth or described in the Minute Books or in the Financial Statements of the Company; and
- (e) Considering and if thought fit approving and ratifying the omission of sales figures from the Annual Financial Statement and Interim Financial Statements.
- (f) Transacting such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders registered on the books of the Company at the close of business on December 23, 1969, are entitled to receive notice of said meeting. The close of business on January 12, 1970, is the record date for all shareholders who are entitled to attend and vote at said meeting and may be represented thereat by proxies duly filed with the Secretary.

Shareholders who are unable to attend the Meeting are requested to date and sign the attached instrument of proxy and file it with the Secretary of the Company.

DATED December 23, 1969.

By Order of the Board
D. M. McMillan
Secretary.

Biltmore Hats
Limited
GUELPH, ONTARIO, CANADA

Proxy, Solicited by Management, for Annual Meeting of Shareholders

The undersigned hereby appoints Wm. F. Franke, or failing him N. McMillan, or failing him D. M. McMillan or instead of any of them _____ as proxy, with power of substitution, to attend and vote for the undersigned at the Annual Meeting of Shareholders to be held on January 24, 1970, and at any adjournments (a) FOR _____ or AGAINST _____ (or if no specification is made, FOR) approval of the Directors' Report and Financial Statements for 1969; (b) FOR _____ or AGAINST _____ (or if no specification is made, FOR) the election of Directors; (c) FOR _____ or AGAINST _____ (or if no specification is made, FOR) the appointment of Auditors; and (d) FOR _____ or AGAINST _____ (or if no specification is made, FOR) approving and ratifying acts and proceedings of the directors and officers; (e) FOR _____ or AGAINST _____ (or if no specification is made, FOR) the approval of the omission of sales figures from the Annual Financial Statement and Interim Financial Statements; (f) on such other business as may properly come before the meeting; hereby revoking any proxy previously given.



BILTMORE HATS LIMITED INFORMATION CIRCULAR

as of December 23rd, 1969

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Biltmore Hats Limited (the Company) of proxies to be used at the annual meeting of shareholders of the company to be held at the time and place and for the purposes set forth in the above notice of meeting. It is expected that the solicitation will be primarily by mail. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO either by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS, AND FOR THE OMISSION OF SALES FIGURES FROM THE FINANCIAL STATEMENTS AND FOR THE ELECTION OF DIRECTORS AND FOR THE APPOINTMENT OF AUDITORS AND FOR APPROVAL AND RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matter referred to in the notice of meeting.

VOTING SHARES

On December 23, 1969, the Company had outstanding 40,000 common shares without par value and 40,000 cumulative preferred \$1.00 dividend non-redeemable participating class "A" shares without par value.

Holders of outstanding common shares on January 12, 1970 will be entitled to one vote for each common share held.

Holders of class "A" shares are invited by the Chairman to attend the Annual Meeting, however, they do not have the right to vote at this Annual Meeting.

Other than the directors whose shareholders are listed separately in this circular, the following is the beneficial owner of more than 10% of the equity of the company.

	CLASS "A"		COMMON	
	# OF SHARES	% OF TOTAL	# OF SHARES	% OF TOTAL
Brant Investments Limited	6,011	15.0	11,101	27.8

ELECTION OF DIRECTORS

The Board consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated.

The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following tables and the notes thereto state the names of four of the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of December 23, 1969. Due to the untimely death of Mr. Martin L. Wills the fifth nominee for the board of directors will be presented at the annual meeting.

NAME		BECAME DIRECTOR	COMMON SHARES
William F. Franke, Chairman	Gentleman	1929	100
Norman McMillan, President and Director	Executive	1951	9362
Leonard D. Griffiths, Director	President, Laura Secord Candy Shops Ltd.	1965	50
D. Michael McMillan, Vice-President and Secretary	Executive	1965	10301

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- (1) Aggregate direct remuneration paid or payable in 1969 to the directors and senior officers of the Company and its subsidiary was:
By the Company \$91,200.
- (2) Estimated aggregate cost to the Company and its subsidiary in 1969 of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age . . . \$10,340.
- (3) The company has entered into an agreement with a director and senior officer to retain him as consultant following his retirement from the Company, expected to take place in September, 1972. Under the agreement the Company will pay an annual consulting fee of \$8,356 (\$12,000 until September 1972, in the event of early retirement) for a guaranteed term of five years and thereafter during his lifetime.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Winspear, Higgins, Stevenson and Doane, Chartered Accountants, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Winspear, Higgins, Stevenson and Doane have been auditors of the Company for more than five years.

SALES FIGURES

The shareholders of the Company are being asked to approve by a two-thirds majority of the votes cast at the meeting, the omission from the financial statements and interim financial statements of the Company, the amount of sales or gross revenue derived from the operations of the Company (except as to the percentage increase or decrease thereof). The Company feels that the disclosure of this information to the competitors of the Company would be prejudicial to the interests of the Company.

The Company has obtained an order from the Supreme Court of Ontario and from the Ontario Securities Commission permitting the omission of such sales and gross revenue figures provided the approval of two-thirds of the shareholders is obtained. The persons named in the enclosed form of proxy intend to vote in favour of the omission of such figures. In the event that the shareholders do not approve of the omission, then these figures will be divulged at the Annual Meeting.

ACTS AND PROCEEDINGS OF THE DIRECTORS AND OFFICERS

Persons named in the enclosed form of proxy intend to vote in favour of approving and ratifying all acts and proceedings of the Board of Directors and of the Officers of the Company since the last Annual Meeting of Shareholders as set forth or described in the Minute Books or in the Financial Statements of the Company.

GENERAL

Information contained herein is given as of December 23, 1969. The Management knows of no matters to come before the annual general meeting of shareholders other than the matters referred to in the notice of meeting. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.



BILTMORE HATS LIMITED INFORMATION CIRCULAR

as of March 1, 1971

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Biltmore Hats Limited (the Company) of proxies to be used at the annual meeting of shareholders of the company to be held at the time and place and for the purposes set forth in the above notice of meeting. It is expected that the solicitation will be primarily by mail. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO either by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy, and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS, AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AND FOR APPROVAL AND RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matter referred to in the notice of meeting.

VOTING SHARES

On March 1, 1971, the Company had outstanding 40,000 common shares without par value and 40,000 cumulative preferred \$1.00 dividend non-redeemable participating class "A" shares without par value.

Holders of outstanding common shares on March 15, 1971 will be entitled to one vote for each common share held.

Holders of class "A" shares are invited by the Chairman to attend the Annual Meeting, however, they do not have the right to vote at this Annual Meeting.

Other than the directors whose shareholders are listed separately in this circular, the following is the beneficial owner of more than 10% of the equity of the company.

	CLASS "A"		COMMON	
	# OF SHARES	% OF TOTAL	# OF SHARES	% OF TOTAL
Brant Investments Limited	7,355	18.4	12,241	30.6

ELECTION OF DIRECTORS

The Board consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated.

The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following tables and the notes thereto state the names of the five persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of March 1, 1971.

NAME		BECAME DIRECTOR	COMMON SHARES
William F. Franke, Chairman	Gentleman	1929	100
Norman McMillan, President and Director	Executive	1951	9362
Leonard D. Griffiths, Director	President, Laura Secord Candy Shops Ltd.	1965	50
D. Michael McMillan, Vice-President and Secretary	Executive	1965	10301
John C. Rykert, Director	Treasurer, Canadian General Securities Ltd.	1970	1000

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- (1) Aggregate direct remuneration paid or payable in 1970 to the directors and senior officers of the Company and its subsidiary was:
By the Company \$89,150.
- (2) Estimated aggregate cost to the Company and its subsidiary in 1970 of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age . . . \$8,962.
- (3) The company has entered into an agreement with a director and senior officer to retain him as consultant following his retirement from the Company, expected to take place in September, 1972. Under the agreement the Company will pay an annual consulting fee of \$8,356 (\$12,000 until September 1972, in the event of early retirement) for a guaranteed term of five years and thereafter during his lifetime.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Winspear, Higgins, Stevenson and Doane, Chartered Accountants, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Winspear, Higgins, Stevenson and Doane have been auditors of the Company for more than five years.

ACTS AND PROCEEDINGS OF THE DIRECTORS AND OFFICERS

Persons named in the enclosed form of proxy intend to vote in favour of approving and ratifying all acts and proceedings of the Board of Directors and of the Officers of the Company since the last Annual Meeting of Shareholders as set forth or described in the Minute Books or in the Financial Statements of the Company.

GENERAL

Information contained herein is given as of March 1, 1971. The Management knows of no matters to come before the annual general meeting of shareholders other than the matters referred to in the notice of meeting. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.



BILTMORE HATS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Biltmore Hats Limited will be held at the Head Office of the Company, 139 Morris Street, Guelph, Ontario, on Friday, the Second day of April, 1971 at the hour of 3:00 o'clock in the afternoon for the purpose of

- (a) Receiving and considering the report of the Directors for the year ended October 31, 1970, the financial statements and the report of the Auditors thereon;
- (b) Electing Directors;
- (c) Appointing Auditors;
- (d) Considering and, if thought fit, approving and ratifying all acts and proceedings of the Board of Directors, and of the Officers of the Company since the last Annual Meeting of Shareholders, as set forth or described in the Minute Books or in the Financial Statements of the Company; and
- (e) Transacting such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders registered on the books of the Company at the close of business on March 1, 1971, are entitled to receive notice of said meeting. The close of business on March 15, 1971, is the record date for all shareholders who are entitled to attend and vote at said meeting and may be represented thereat by proxies duly filed with the Secretary.

Shareholders who are unable to attend the Meeting are requested to date and sign the attached instrument of proxy and file it with the Secretary of the Company.

DATED March 1, 1971.

By Order of the Board
D. M. McMillan
Secretary.

Biltmore Hats
Limited

GUELPH, ONTARIO, CANADA

Proxy, Solicited by Management, for Annual Meeting of Shareholders

The undersigned hereby appoints Wm. F. Franke, or failing him N. McMillan, or failing him D. M. McMillan or instead of any of them _____ as proxy, with power of substitution, to attend and vote for the undersigned at the Annual Meeting of Shareholders to be held on April 2, 1971 and at any adjournments (a) FOR _____ or AGAINST _____ (or if no specification is made, FOR) approval of the Directors' Report and Financial Statements for 1970;

(b) FOR _____ or AGAINST _____ (or if no specification is made, FOR) the election of Directors;

(c) FOR _____ or AGAINST _____ (or if no specification is made, FOR) the appointment of Auditors; and (d) FOR _____ or AGAINST _____ (or if no specification is made, FOR) approving and ratifying acts and proceedings of the directors and officers; (e) on such other business as may properly come before the meeting; hereby revoking any proxy previously given.

_____, 19____

(Signature of Shareholder)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
SIX MONTHS ENDED APRIL 30, 1972
(with comparative figures for 1971)

TO OUR SHAREHOLDERS:

On behalf of the Board of Directors of the company, we submit the unaudited financial statements for the six months ending April 30, 1972. Because of raw material delivery delays, spring shipments ran later this year than last. However, by the end of May, the situation was corrected, and shipments are now slightly ahead of last year on a year-to-date basis. Bookings for fall shipments are ahead of last year, and are quite encouraging.

The improvement in our earnings was due to cost reductions in almost all areas. As you undoubtedly realize, the company earns the majority of its income in the last quarter of the fiscal year, when the largest part of our shipments are made. On the balance sheet, our current ratio is 3.3 to 1 versus 2.2 to 1 last year, and our liquid asset ratio is 1.9 to 1 versus 1.2 to 1, reflecting a strong financial position.

A dividend of 6c per share on the Convertible Class "A" preferred shares has been declared payable on July 15th to shareholders of record on June 30, 1972. It is our intention to pay the 25c dividend on the Class "A" shares at the rate of 6c for the July, October, and April payments, and 7c for the January payment.

Control of the company has been purchased by MerBan Capital Corporation Limited, which is owned by Acres Limited, Canadian General Securities Limited, Traders Group Limited, Guaranty Trust Company of Canada, and the MerBan management. We anticipate that MerBan, through its resources and management, will assist in the future development of Biltmore. Michael McMillan and myself are to remain as chief operating executives of the Company, and we, along with Philip M. Spicer, president of Central Fund of Canada Limited, have agreed to remain on the board. We will be joined on the board by Mr. Andrew Sarlos, President of MerBan, and Mr. John Judson, an attorney with Shibley, Righton & McCutcheon.

It is with regret that we accept the resignations of Mr. L. D. Griffiths, who has been a member of the board since 1965, and Mr. J. C. Rykert, who has been a member since 1970. Our company has been fortunate to be associated with Mr. Griffiths and Mr. Rykert, and on behalf of the board, I extend our appreciation for their excellent services.

ON BEHALF OF THE BOARD OF DIRECTORS,

N. McMillan, President.

	1972	1971
Sales	\$1,004,041.	\$1,080,720. ✓
Cost of sales excluding depreciation	963,297.	1,079,411.
Directors' fees	850.	850.
Remuneration of executive officers	40,609.	40,295.
Depreciation and amortization	12,267.	14,445.
Pension premiums	5,864.	6,392.
	\$1,022,887.	\$1,141,393.
LOSS FOR PERIOD	\$ (18,846.)	\$ (60,673.) ✓

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)
SIX MONTHS ENDED APRIL 30, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Operations		
Net loss for period	\$ (18,846.)	\$ (60,673.)
Add depreciation and amortization not involving an outlay of funds	12,267.	14,445.
	(6,579.)	(46,228.)
	2,089.	85.
	(4,490.)	(46,143.)
APPLICATION OF FUNDS		
Additions to fixed assets	5,665.	416.
Dividends on Class "A" shares	20,000.	20,000.
Reduction in long-term debt	36,764.	58,310.
Increase in cash surrender value of life insurance	—	2,648.
	62,429.	81,374.
DECREASE IN WORKING CAPITAL	(66,919.)	(127,517.)
WORKING CAPITAL AT BEGINNING OF PERIOD	850,513.	850,379.
WORKING CAPITAL AT END OF PERIOD	\$ 783,594.	\$ 722,862.



Biltmore Hats
limited
GUELPH - CANADA

Biltmore Hats
limited
GUELPH CANADA

Semi-Annual Report
April 30th 1972

BILTMORE HATS LIMITED
and subsidiary company

CONSOLIDATED STATEMENT OF INCOME
SIX MONTHS ENDED APRIL 30, 1971
(with comparative figures for 1970)

	1971	1970
Sales	\$ 1,080,720.	\$ 837,532.
Cost of sales excluding depreciation	1,079,411.	862,066.
Directors' fees	850.	1,254.
Remuneration of executive officers	40,295.	35,185.
Depreciation and amortization	14,445.	13,773.
Pension premiums	6,392.	9,330.
	1,141,393.	921,608.
LOSS FOR PERIOD	\$ (60,673.)	\$ (84,076.)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
SIX MONTHS ENDED APRIL 30, 1971
(with comparative figures for 1970)

	1971	1970
SOURCE OF FUNDS		
Operations		
Net loss for period	\$ (60,673.)	\$ (84,076.)
Add depreciation and amortization not involving an outlay of funds	14,445.	13,773.
	(46,228.)	(70,303.)
Sale of fixed assets	85.	—
	(46,143.)	(70,303.)
APPLICATION OF FUNDS		
Additions to fixed assets	416.	1,849.
Increase in cash surrender value of life insurance	2,648.	2,648.
Dividends on:		
Class "A" Shares	20,000.	20,000.
Common Shares	—	8,000.
Reduction in long-term debt	18,262.	—
	41,326.	32,497.
	(87,469.)	(102,800.)
	850,379.	800,117.
	\$ 762,910.	\$ 697,317.
DECREASE IN WORKING CAPITAL		
WORKING CAPITAL AT BEGINNING OF PERIOD		
WORKING CAPITAL AT END OF PERIOD		

Dear Shareholder:

The Directors present the Consolidated Statement of Income and the Consolidated Statement of Source and Application of Funds of your Company for the six months ending April 30, 1971.

The Company normally shows a loss for the first six months as the majority of our shipments take place in the latter half of the fiscal year. Sales were increased over the same period last year by 29.0% and the loss was reduced by \$23,403 or 27.8%. Our inventories are down 23% in the last 12 months, a period in which we have assimilated the Peterson (Canada) inventories. At April 30, 1971, our working capital is \$762,910 as against \$697,317 at the same time last year.

A dividend has been declared to be paid July 15, 1971, at the rate of \$.25 per Class A Share to shareholders on record as of June 30, 1971.

On behalf of the Board of Directors

Norman McMillan, President.

Handwritten signature: Norman McMillan
Handwritten number: 822-3770



Biltmore Hats
Limited
GUELPH - CANADA

Biltmore Hats
Limited
GUELPH CANADA

Semi-Annual Report
April 30th 1971

Biltmore Hats

GUELPH CANADA *Limited*

DIRECTORS

WILLIAM F. FRANKE
NORMAN McMILLAN
MARTIN L. WILLS *
D. MICHAEL McMILLAN
LEONARD D. GRIFFITHS

GUELPH, ONTARIO
GUELPH, ONTARIO
TORONTO, ONTARIO
GUELPH, ONTARIO
TORONTO, ONTARIO

OFFICERS

WILLIAM F. FRANKE
NORMAN McMILLAN
D. MICHAEL McMILLAN
MARTIN L. WILLS *
NORMAN B. IRWIN, C.A.
JOSEPH G. WEIST

CHAIRMAN OF THE BOARD
PRESIDENT
VICE PRESIDENT & SECRETARY
VICE PRESIDENT
COMPTROLLER
MANUFACTURING MANAGER

*(MR. WILLS DIED NOVEMBER 30, 1969)

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY, TORONTO

HEAD OFFICE

139 MORRIS ST.

GUELPH, CANADA

SALES OFFICES

VANCOUVER CALGARY EDMONTON
SASKATOON WINNIPEG
TORONTO OTTAWA
MONTREAL QUEBEC CITY HALIFAX
ST. JOHN'S NFLD.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

JANUARY 24, 1970

The President's Report

MR. MARTIN L. WILLS:

It is with deep regret that we advise the shareholders that Mr. Martin L. Wills died suddenly on November 30, 1969. Mr. Wills has served on the board since January 17, 1959. Throughout the years Mr. Wills has made many valued contributions in his position as director of the company; we will miss his strength.

FINANCIAL STATEMENTS:

The directors are pleased to present the Consolidated Balance Sheet, Consolidated Statement of Income and Retained Earnings, and the Consolidated Statement of Source and Application of Funds of your company for the year ending October 31, 1969.

DIVIDENDS:

Dividends of \$1.00 per share were paid on the Class "A" share and .40 per share on the common shares during the year for a total of \$56,000. This is the 41st consecutive year the company has paid a dividend.

EARNINGS:

The consolidated net earnings for the year 1969 are \$61,509 after taxes and all other charges which is an increase of 11.7% from the net earnings in 1968 of \$55,047 as adjusted. Earnings on the combined class "A" and common shares are .77 per share in 1969 compared to .73 per share in 1968.

MANUFACTURING:

During the year we have reviewed all of our manufacturing methods with the objective of placing all applicable operations on incentive. With the changes that have been incorporated we believe that your company has one of the most efficient hat manufacturing facilities in the world.

MARKETING:

In 1969 your company's sales declined by 0.96% over 1968, while they declined by 9.9% in 1968 over 1967.

The company's share of the Canadian Men's Headwear market was maintained in 1969 through its continued aggressive merchandising practices and the loyalty of its customers.

FINANCIAL:

Working capital decreased by \$43,133 in 1969 reflecting a decrease in our long-term debt, the final payment of which will be made in 1970.

Our investment in inventory is higher than last year reflecting increased purchases of raw materials in the face of rising prices in the world's fur markets.

GENERAL:

By order of the Supreme Court of Ontario and the Ontario Securities Commission the company has been allowed to omit the sales figures from the annual reports to the shareholders pending approval by our shareholders.

We extend our appreciation for the full support and co-operation of our co-workers as well as thousands of retailers from coast to coast all of whom have contributed to our operations in 1969.

On behalf of the Board of Directors,

Norman McMillan, President.

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of Biltmore Hats Limited and its wholly owned subsidiary as at October 31, 1969, and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Guelph, Ontario
December 17, 1969

Winspear, Higgins, Stevenson, and Doane
Chartered Accountants



Biltmore Hats Limited

GUELPH

CANADA

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED BALANCE

(WITH COM

A S S E T S

CURRENT

	1969	1968
Receivables.....	1,113,365	1,214,104
Inventories (Note 1).....	756,472	641,181
Prepaid expenses.....	11,182	13,136
	<u>1,881,019</u>	<u>1,868,421</u>

OTHER

Life insurance, cash surrender value.....	35,383	29,913
Investments, at cost.....	14,240	6,680
	<u>49,623</u>	<u>36,593</u>

FIXED (Note 2)

Fixed assets, at cost.....	1,278,240	1,264,917
Less accumulated depreciation.....	941,579	913,868
	<u>336,661</u>	<u>351,049</u>

GOODWILL, at cost.....	10,000	10,000
	<u>2,277,303</u>	<u>2,266,063</u>

Approved on behalf of the Board of Directors

N. McMILLAN, Director.

D. M. McMILLAN, Director.

HEET, OCTOBER 31, 1969

(ATIVE FIGURES)

LIABILITIES

CURRENT

	1969	1968
Bankers' advances.....	722,461	631,664
Payables and accruals.....	273,744	326,437
Income and other taxes.....	84,697	67,070
	<u>1,080,902</u>	<u>1,025,171</u>

LONG-TERM

Capital bank loan — 6¾% due 1970 less current portion.....	—	50,000
	<u>1,080,902</u>	<u>1,075,171</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized		
50,000 cumulative preferred \$1.00 dividend		
non-redeemable participating class "A" shares		
without par value		
50,000 common shares without par value		
Issued and outstanding		
40,000 class "A" shares and		
40,000 common shares	85,475	85,475

RETAINED EARNINGS (Note 3).....	1,110,926	1,105,417
	<u>1,196,401</u>	<u>1,190,892</u>
	<u>2,277,303</u>	<u>2,266,063</u>

See notes to consolidated financial statements



Biltmore Hats Limited

QUELPH CANADA

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED OCTOBER 31, 1969
(with comparative figures)

	1969	1968
Income for the year before the following deductions.....	142,589	127,717
Provision for depreciation of building, machinery and equipment.....	31,678	32,558
Interest on long-term debt.....	4,402	4,612
	36,080	37,170
Net income before taxes.....	106,509	90,547
Income taxes.....	45,000	35,500
NET INCOME FOR THE YEAR.....	61,509	55,047
Retained earnings at beginning of year as previously reported.....	1,114,417	1,111,870
Adjustment of prior years' income taxes (Note 3).....	9,000	5,500
Retained earnings as restated.....	1,105,417	1,106,370
	1,166,926	1,161,417
Dividends		
Class "A".....	40,000	40,000
Common.....	16,000	16,000
	56,000	56,000
RETAINED EARNINGS AT END OF YEAR.....	1,110,926	1,105,417

See notes to consolidated financial statements.



Biltmore Hats Limited

GUELPH

CANADA

AND ITS WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED OCTOBER 31, 1969
(with comparative figures)

SOURCE OF FUNDS

	1969	1968
Operations		
Net income for the year.....	61,509	55,047
Add: depreciation which does not involve a current outlay of funds.....	31,678	32,558
	93,187	87,605
Sale of fixed assets.....	1,252	607
Proceeds of long-term debt.....	—	100,000
Reduction of special refundable tax.....	—	3,263
	94,439	191,475

APPLICATION OF FUNDS

Purchase of fixed assets.....	18,542	13,309
Payment of dividends		
Class "A" shares.....	40,000	40,000
Common shares.....	16,000	16,000
Reduction of long-term debt.....	50,000	50,000
Increase in life insurance cash surrender value.....	5,470	5,388
Increase in investments.....	7,560	—
Prior years' adjustments to retained earnings.....	—	5,500
	137,572	130,197

(DECREASE) IN WORKING CAPITAL..... (43,133) 61,278

WORKING CAPITAL AT BEGINNING OF YEAR..... 843,250 781,972

WORKING CAPITAL AT END OF YEAR..... 800,117 843,250

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 1969

	1969	1968
1. Inventories		
At lower of cost and market value		
Materials and supplies.....	\$ 319,402	\$ 230,949
In process.....	210,826	193,550
Finished.....	226,244	216,682
	<u>\$ 756,472</u>	<u>\$ 641,181</u>

2. Fixed Assets

	1 9 6 9			1 9 6 8
	Cost	Accumulated depreciation	Net book value	Net book value
Land.....	\$ 1,850	\$	\$ 1,850	\$ 1,850
Building.....	422,544	153,353	269,191	283,359
Machinery and equipment...	835,850	780,697	55,153	59,208
Automotive equipment.....	15,321	7,262	8,059	6,632
Leasehold improvements....	2,675	267	2,408	
	<u>\$ 1,278,240</u>	<u>\$ 941,579</u>	<u>\$ 336,661</u>	<u>\$ 351,049</u>

3. Retained earnings

During the year 1969 the company was re-assessed for income taxes applicable to the years 1967 and 1968. Accordingly the balance of retained earnings at October 31, 1968 has been restated from amounts previously reported to reflect the retroactive charge of \$9,000 for additional income taxes settled in 1969. Of this amount, \$3,500 is applicable to 1968 and has been reflected as an increase in income tax expense for that year; the balance of \$5,500 is applicable to the year 1967 and has been charged to retained earnings at November 1, 1967.

Other 1968 comparative figures have been restated accordingly.

4. Sales for the year 1969 decreased .96% compared with the year 1968 and sales for the year 1968 decreased 9.95% compared with the year 1967.
5. Remuneration paid or payable to directors, and senior officers was \$91,200 (1968 \$87,650) for the year which included \$56,529 (1968 \$56,800) received by directors as directors and officers.

The Company has entered into an agreement with a director and senior officer to retain him as consultant following his retirement from the Company, expected to take place in September, 1972. Under the agreement the Company will pay an annual consulting fee of \$8,356 (\$12,000 until September, 1972, in the event of early retirement) for a guaranteed term of five years and thereafter during his lifetime.



DOBBS and KNOX
GUELPH, CANADA

